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SUBJECT: AMBASSADOR PROMOTES COMMERCIAL DELIVERABLES, TIFA, NEC, HR,
AML AND ADOPTIONS WITH OOG PHUC

Ref: State 26801

¶1. (SBU) Summary: The Ambassador met with the Office of the Government (OOG) Vice Chairman Nguyen Xuan Phuc on April 4 to promote positive Vietnamese government action on commercial projects by U.S. firms and to address a number of prominent bilateral issues, including: Trade and Investment Framework Agreement (TIFA) negotiations and the annual Bilateral Trade Agreement (BTA) review; human rights; anti-money laundering; the need for a published schedule of adoptions fees; the Peace Corps program; and the New Embassy Compound (NEC). Vice Chairman Phuc took note of the U.S. concerns and pledged that the GVN would work hard to make progress on these issues to ensure a successful visit by President Triet later this year. End Summary.

TIFA and the BTA Review

¶2. (SBU) The Ambassador began the meeting by noting that in each of the stops during his March 25-30 travels in the United States, U.S. firms expressed considerable excitement over the prospects for our two countries' commercial and economic relations. Before moving to review specific commercial deliverables, the Ambassador underscored the importance the United States places on successfully completing TIFA negotiations in time for a signing ceremony at the time of President upcoming visit. A TIFA would help to boost bilateral trade and investment and serve as a strong indication of our expanding economic ties. Negotiations should not wait until the final weeks before the visit, the Ambassador stressed, and he requested that OOG work with the other relevant stakeholders to begin talks as soon as possible. Vice Chairman Phuc agreed that the two sides should begin talks very soon, reporting that Vietnam is undergoing internal procedures to set up its negotiating team.
(Comment: After the meeting, OOG International Relations Department Director Bui Hui Hung asked that USTR send a formal letter to the GVN asking to begin negotiations. Such a letter would help expedite internal GVN processes, Hung said. We have transmitted this request to USTR by email. End comment.)

¶3. (SBU) In addition to the TIFA negotiations, it is time for the two sides to schedule the annual BTA review, the Ambassador noted, stressing the ongoing importance of this agreement and its review process to our economic ties, particularly on investment. He emphasized that this review needs to occur before President Triet's

visit.

Commercial Deliverables

¶4. (SBU) The Ambassador then turned to a number of commercial projects by U.S. firms under consideration by the Government of Vietnam (GVN), and pushed for breakthroughs on these deals before the Triet visit. Currently, the GVN is considering projects worth an estimated USD 7.1 billion of business for U.S. companies, with approximately USD 4.2 billion of that being exports to Vietnam. Approval of these projects would go a long way toward reducing the growing gap between Vietnamese exports to the United States and U.S. exports to Vietnam, the Ambassador said. With hard work in the coming months, the two sides could hold a very significant signing ceremony in Washington, eclipsing even the magnitude of the signing ceremony held during then-Prime Minister Phan Van Khai's 2005 visit to the United States.

¶5. (SBU) Vice Chairman Phuc agreed that progress on commercial projects will help strengthen bilateral ties, enhance President Triet's visit and work to balance trade between our two countries. He confirmed the GVN has been working to advance these business deals, and expressed confidence that the environment for U.S. businesses will be "very favorable in the coming period."

¶6. (SBU) The Ambassador first raised the joint investment opportunity between Alcoa World Alumina and Chemicals Company and Vinacomin to develop a bauxite mine and alumina refinery in Dak Nong Province. Prime Minister Dzung's approval of the companies' joint action plan and cooperative agreement would allow them to move forward on their development plans. Vice Chairman Phuc advised that Vietnam is undertaking a comprehensive survey of bauxite in central

HANOI 00000641 002 OF 005

Vietnam in order to have a better picture of the quantity and quality of reserves available. Vinacomin has been assigned as the primary agency, and it will select appropriate partners to mine and distribute bauxite. Vice Chairman Phuc also said he would meet with former U.S. Ambassador Pete Peterson later on April 4 to discuss this project.

¶7. (SBU) On the SSA Marine projects to develop Vietnam's seaport infrastructure, the Ambassador stated that granting an investment license for the firm to develop port facilities at Cai Mep late last year was an important step to address Vietnam's infrastructure needs. In addition to seeing this project move ahead smoothly, the United States hopes the GVN will approve an investment license for SSA Marine to undertake a second port project at Cai Lan in Quang Ninh Province in time for President Triet's visit. Phuc concurred that the Cai Mep project is going well, and explained that Vietnam is working to finalize an agreement on the Cai Lan project before the Triet visit. (Comment: While SSA has strong capabilities in consulting and engineering services, we suspect that Ministry of Industry (MOI) will not support a proposal for a 100 percent foreign-owned project, as proposed by SSA.)

¶8. (SBU) Following meetings in Chicago between Boeing and DPM/FM Pham Gia Khiem last month, Boeing will soon issue a letter to the DPM outlining examples of how Boeing can help the Vietnamese aviation industry, the Ambassador continued. Given the support of the Ex-Im Bank and the U.S. Trade and Development Agency (TDA), an agreement for Vietnam Airlines (VNA) to purchase additional Boeing aircraft would greatly benefit VNA and serve as an unparalleled symbol of the current strength of our countries' relationship. The Ambassador expressed the hope that the two sides can overcome delays caused by vacancies in VNA leadership, as the Boeing 787 Dreamliner is the ideal fit for Vietnam's current and future air transportation needs. Vice Chairman Phuc agreed that the two sides should be prepared to sign an agreement over Boeing aircraft this summer. Although Vietnam has received other offers, VNA would like to purchase Boeing aircraft to serve best its long range routes to Europe and, in the future, the United States. Phuc committed to "work hard to conclude this agreement" by this summer.

¶9. (SBU) Vietnam should add the Gannon power plant project in Dong

Nai Province to the country's master energy plan, the Ambassador continued. The key decision on whether to move forward with this project rests with the Prime Minister. Ambassador Marine recently wrote the PM a detailed letter outlining the advantages of this project and the U.S. desire for a positive response in the near future. The Gannon power plant would entail significant technology transfer from several major U.S. firms, including General Electric and Shaw, Stone and Webster. Phuc reported that he met with Gannon executives in the United States last month, and is following this deal closely. He committed to organize an inter-ministerial meeting, including relevant stakeholders such as PetroVietnam, to finalize a decision and report to the Prime Minister.

¶10. (SBU) Regarding plans for the American firm AES to build a coal-fired plant in Vietnam, negotiations will begin the week of April 9 over a power purchase agreement and a coal supply agreement, two keys to starting this project. The Ambassador and Vice Chairman Phuc agreed that the two sides should negotiate quickly to conclude these agreements and begin work on the power plant. Ambassador Marine noted that recent power outages in Vietnam highlight the critical need to reach agreements and begin work on power projects such as those being proposed by Gannon and AES.

¶11. (SBU) Motorola, another key partner for Vietnam, is interested in expanding its cooperation with Vietnamese mobile telephone companies, the Ambassador said. Meetings between Motorola and DPM Khiem during the March visit were useful in advancing negotiations between Motorola and Vinaphone, but a deal for Motorola to deliver technology to expand Vinaphone's GSM networks in Hanoi and Ho Chi Minh City could be a key deliverable for President Triet's visit. Vice Chairman Phuc commented that he participated in the meetings with Motorola in the United States, during which Vietnam raised the prospect of Motorola manufacturing equipment, including mobile phones, in Vietnam. Phuc asked the Ambassador to urge Motorola to agree to this idea, saying that if both sides can agree, "it will open good prospects for Motorola on cooperation with Vinaphone."

HANOI 00000641 003 OF 005

¶12. (SBU) Ambassador Marine then raised a new project: GTECH Corporation's interest in providing technology and services to Vietnam as it contemplates developing a national online lottery system and a sports betting system. GTECH Corporation is a worldwide leader in providing software infrastructure and payment processing systems for the gaming industry, the Ambassador explained, and would be an excellent partner for Vietnam. Although this was the first he had heard of GTECH's interest in Vietnam, Vice Chairman Phuc explained that Vietnam is currently developing plans to develop sports betting systems and casinos, and urged GTECH to work with its Vietnamese counterparts to ensure that its proposal is included in this planning. He continued by saying that Vietnam is particularly interested in the sports betting industry.

¶13. (SBU) Moving on, the Ambassador said that U.S. companies are stepping up their interest as Vietnam develops its downstream oil and gas industry. For example, Shaw, Stone and Webster is seeking to obtain the right to complete a feasibility study and eventually develop an oil refinery in the Long Son District of Ba Ria-Vung Tau Province. Shaw, Stone and Webster is talking with the Ministry of Planning and Investment (MPI) about this project, and TDA has indicated it would consider co-funding the project, the Ambassador explained. Vice Minister Phuc replied that he is impressed with Shaw, Stone and Webster's experience and capabilities, and has already expressed strong support to the relevant GVN agencies, asking them to work with the MPI to develop an investment plan for this project.

¶14. (SBU) After raising the above commercial projects, Ambassador Marine raised a final case, which he noted was not a commercial opportunity but rather a problem. A long-standing member of the American business community in Vietnam recently asked the Embassy for assistance in resolving a commercial dispute over property involving Redsun, a company which the American businessman represents in Vietnam. Redsun holds a legitimate contract for a piece of property, and now claims the contract is not being honored. The Ambassador explained that he typically advises interested U.S.

firms that corruption is still an issue in Vietnam and the rule of law is not yet fully established, but the GVN is taking important steps and progress is being made. Cases such as this one, demonstrating a failure to honor the sanctity of contracts, undercut those positive sentiments, the Ambassador said. Noting the growing interest by U.S. firms in investing and growing business in Vietnam, the Ambassador asked for OOG's cooperation in seeking fair resolution to the Redsun case and ensuring that local interests not get in the way of good business practices. Vice Chairman Phuc responded that this was the first he heard of this case, but agreed that the issue should be dealt with according to the law to protect the legitimate rights of foreign investors. Phuc committed to forward this issue to relevant authorities upon receiving "necessary documents" and more information about this case.

Human Rights

¶15. (SBU) There is a growing concern in Washington and throughout the United States about human rights, the Ambassador explained, and it is important for the two sides to maintain frank and open dialogue to prevent this from overshadowing the other positive aspects of our relationship. The two sides will have an opportunity to continue discussions at the April 24 Human Rights Dialogue in Washington. The Ambassador expressed confidence that the two sides could work together to manage these concerns, but the months ahead will be difficult for our relationship unless we work together to address the issue immediately.

¶16. (SBU) Phuc responded by confirming that Secretary Rice's comments to DPM Khiem on the human rights situation were fully reported to Prime Minister Dzung. He continued by pointing to the "many positive developments" Vietnam has made in recent years to expand human rights and religious freedom. Phuc cited the recent abolition of Decree 31, which allowed GVN officials to detain citizens without due process. He also explained that Vietnam is trying to build transparency into its legal proceedings, including allowing the media and foreign diplomats to witness the March 30 trial of Father Nguyen Van Ly.

HANOI 00000641 004 OF 005

Anti-Money Laundering and Law Enforcement Cooperation

¶17. (SBU) Following up on meetings between members of DPM Khiem's delegation and the U.S. Drug Enforcement Agency (DEA) and the U.S. Department of Justice (DOJ) in Washington, the Ambassador expressed a desire to see the two sides move forward on measures to strengthen Vietnam's anti-money laundering (AML) system, particularly through work on the AML Decree. The United States also encourages Vietnam to take the necessary steps to join the Asia Pacific Group's Financial Action Task Force (FATF), an important institution with strong AML criteria. This would be a clear signal of the growing maturity of Vietnam's banking system and the prudence of its leadership as it takes a larger role in the international marketplace. Furthermore, the United States would welcome a request by the GVN for the DOJ to review Vietnam's AML Decree. These steps are key elements in the process of setting the stage for Vietnamese banks to open representative offices in the United States, and they would provide a way for the United States and Vietnam to cooperate better on tracking "hot" drug money transiting Vietnam. These steps are only part of our desire to see stronger law enforcement cooperation between our two countries. The Ambassador added that he would soon send a formal proposal to the GVN to expand the existing Letter of Agreement (LOA) which allows us to provide technical assistance in this area.

¶18. (SBU) Vietnam is ready to work with the United States on money laundering to increase transparency and prevent criminal activities, Vice Chairman Phuc explained. After being briefed on the Washington meetings with DEA and DOJ, the Prime Minister instructed the relevant GVN agencies to increase cooperation with the United States on AML efforts. Phuc noted that Vietnam stands ready to act on specific information on suspected money laundering activities. He also registered his concern that AML activities must not create

obstacles to legitimate investment or remittances to Vietnam. The Ambassador agreed that the vast majority of remittances are completely legal, but emphasized that it is equally important to ensure that those conducting illegal activities not be allowed to hide behind legal remittances. Phuc took note that Vietnam should further refine its legal documents, including the AML Decree, to which the Ambassador replied that we stand ready to help in this regard, and a formal request for assistance by the GVN would be a significant step forward.

Adoptions

¶19. (SBU) Moving next to adoptions, the Ambassador demarshaled the Vice Chairman on the lack of a published schedule of adoptions fees, per Reftel. He expressed appreciation for the growing cooperation on adoptions of Vietnamese children by Americans. He reminded Phuc that he had sent a March 15 letter to OOG Chairman Doan Manh Giao outlining our concerns over the adoption program in Vietnam. In short, the absence of a fee schedule creates the opportunity for individuals and organizations at the grassroots level to make illicit profits from adoptions. The two governments must work together to prevent this, the Ambassador stressed. He urged the OOG to work with the Ministry of Finance (MOF) to publish a fee schedule soon, and thereby avoid any possible disruption of this wonderful program which benefits citizens of both countries. OOG Vice Chairman Phuc committed to try to meet with MOF officials at an upcoming cabinet meeting to urge them to publish a fee schedule as soon as possible.

Peace Corps

¶20. (SBU) Citing DPM Khiem's comments in Washington on his desire to see this program established, the Ambassador commented that the Vietnamese Ministry of Education and Training (MOET) has been unwilling to meet or discuss a way forward. The Embassy would be happy to meet with the OOG to discuss this further if necessary. In a sign of the widespread support for the Peace Corps program, 15 U.S. Senators recently co-signed a letter to Prime Minister Dzung pushing for the GVN to agree to bring the Peace Corps to Vietnam. Phuc confirmed that the OOG received this letter, and said that the

HANOI 00000641 005 OF 005

OOG will continue to request that the Ministry of Foreign Affairs (MFA) and MOET work to negotiate a formal Peace Corps agreement, in which he claimed the GVN has a strong interest.

New Embassy Compound (NEC)

¶21. (SBU) Finally, on the NEC, the Ambassador noted that he remains troubled by the lack of visible progress in acquiring land for a new U.S. Embassy in Hanoi. An agreement to open a new Embassy that accurately reflects the importance of our growing bilateral relationship remains one of the Ambassador's key priorities. He encouraged the OOG to prod the MFA to respond soon to a formal offer the United States submitted more than a month ago and help to broker a positive resolution to this issue soon. Vice Chairman Phuc shared the Ambassador's concerns and agreed to "work harder" to have resolution on this issue in the near future.

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